

# Q1 2014



# City of Seal Beach Sales Tax *Update*

*Second Quarter Receipts for First Quarter Sales (January - March 2014)*

## Seal Beach In Brief

The allocation of sales and use taxes for Seal Beach's January through March sales was 21.1% lower than the same quarter one year ago. Actual sales activity was down 19.9% when accounting aberrations were excluded.

Lower sales from the fuel and service station group, combined with onetime allocations that lifted year ago receipts from the business and industry group, were major factors for the decline. The smaller payment from the countywide use tax pool was also a factor. Pool proceeds are distributed to all agencies in the county each quarter based on a ratio of taxable sales.

Postings were down from several categories of general consumer goods. Accounting events depressed results from the food and drugs group.

Restaurants and some automotive group outlets reported increased sales. Receipt of a double payment inflated gains from service stations.

Net of reporting anomalies, taxable sales for all of Orange County rose 4.7% over the same time period. Southern California regional totals were up 3.7%.

## SALES TAX BY MAJOR BUSINESS GROUP



## TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Affliction Holdings	Marshalls
Bed Bath & Beyond	Old Ranch Country Club
Chevron	Original Parts Group
Chevron	Pavilions
Clean Energy Natural Gas	Roger Dunn Golf Shop
College Park Mobil	Seal Beach Mobil
Conkle 76	Spaghettini
CVS Pharmacy	Sprouts
Energy Tubulars	Staples
Home Goods	Target
In N Out Burgers	Toys R Us
Islands	Walt's Wharf
Kohls	

## REVENUE COMPARISON

Four Quarters – Fiscal Year To Date

	2012-13	2013-14
Point-of-Sale	\$4,779,312	\$4,041,227
County Pool	514,417	463,421
State Pool	2,496	2,680
Gross Receipts	\$5,296,226	\$4,507,327
Less Triple Flip*	\$(1,324,056)	\$(1,126,832)

\*Reimbursed from county compensation fund

Published by HdL Companies in Summer 2014

www.hdlcompanies.com | 888.861.0220



## Statewide Results

Net of payment aberrations, first quarter retail sales were 3.8% higher than the same period one year earlier.

Sales of new automobiles were up 9.4%, stimulated by pent up demand, consumer interest in new feature-rich models and easy financing options. The building and construction sector reported solid gains in a number of categories, notably contractors, sellers of lumber/building materials and suppliers of plumbing/electrical equipment. Restaurant and hotel receipts increased by 6.4%, out-pacing all other industry groups except autos and transportation.

Proceeds from general consumer goods were flat primarily due to the ongoing shift from brick-and-mortar stores to online retailers, many of which allocate the local sales tax to the countywide allocation pools. Gains from most other segments were relatively modest, while tax revenues from fuel sales experienced a fifth consecutive quarterly drop.

## Sales Tax and the Drought

All of California is currently under either severe or exceptional levels of drought and is experiencing the driest 30 month period in the state's recorded history.

A recent study by UC Davis projects that the socioeconomic impacts of the current drought will be 50% more severe than in 2009 with 410,000 acres of row and feed crops taken out of production in order to preserve diminishing water supplies for longer term orchard and vineyard investments and the thinning of cattle and dairy herds in anticipation of green pasture shortages. A loss of 14,500 jobs is estimated as are higher food prices and increased energy costs to replace the loss of inexpensive hydro power.

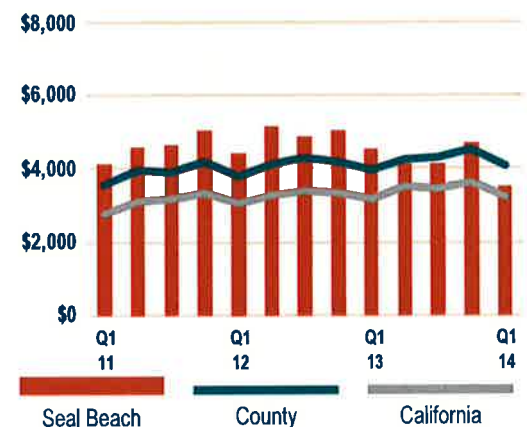
Even so, most analysts predict that the near term impact on the overall statewide economy and 2014-15 sales tax receipts should be minor though some localized pockets may be vulnerable where dependency on agricultural and water-related tourism expenditures is exceptionally high.

The analysts point out that less than 3% of the state's economy comes from agriculture and that in many areas surface water supplies are being replaced with increased pumping of groundwater. They further estimate that the impact of job losses will be offset by employment growth in other segments of the economy. They also note that government drought aid, crop insurance, unemployment benefits and public assistance programs will temporarily avert some potential economic and revenue impacts.

The longer term concern is that the drought could persist for another two or three years. Groundwater

supplies are being pumped out at a faster rate than can be naturally recharged and a UC Berkeley analysis suggests that the relatively wet 20th century was an anomaly. If that is true and the state reverts to a suspected drier norm, the impact on the economy, environment, fire safety and food and energy costs will become more severe and far reaching.

## SALES PER CAPITA



## SEAL BEACH TOP 15 BUSINESS TYPES

Business Type	Seal Beach		County	HdL State
	Q1 '14	Change	Change	Change
Automotive Supply Stores	—	CONFIDENTIAL —	-0.9%	0.0%
Casual Dining	101,376	3.0%	6.1%	7.1%
Department Stores	—	CONFIDENTIAL —	-3.9%	-5.1%
Discount Dept Stores	—	CONFIDENTIAL —	-2.7%	-2.6%
Drug Stores	—	CONFIDENTIAL —	-10.2%	-9.8%
Family Apparel	—	CONFIDENTIAL —	-3.7%	-3.2%
Fast-Casual Restaurants	26,055	9.4%	11.3%	10.5%
Fine Dining	—	CONFIDENTIAL —	10.5%	12.7%
Grocery Stores Liquor	—	CONFIDENTIAL —	-21.5%	-14.6%
Home Furnishings	43,733	-15.9%	7.6%	6.7%
Petroleum Prod/Equipment	—	CONFIDENTIAL —	-8.3%	-5.1%
Quick-Service Restaurants	49,424	20.5%	3.4%	4.8%
Service Stations	123,008	16.5%	-2.7%	-1.1%
Specialty Stores	37,793	0.1%	3.4%	2.5%
Women's Apparel	29,449	-1.7%	-8.0%	-5.1%
<b>Total All Accounts</b>	<b>\$870,167</b>	<b>-21.4%</b>	<b>3.9%</b>	<b>3.2%</b>
<b>County &amp; State Pool Allocation</b>	<b>\$105,167</b>	<b>-18.1%</b>	<b>8.3%</b>	<b>7.7%</b>
<b>Gross Receipts</b>	<b>\$975,333</b>	<b>-21.1%</b>	<b>4.3%</b>	<b>3.7%</b>